

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date			Date Accountant Report Submitted to State:		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Grand Rapids Charter Township
Kent County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended December 31, 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Charter Township of Grand Rapids
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is intended as a narrative overview of the Charter Township of Grand Rapids, Michigan's operations over the fiscal year and its financial condition on December 31, 2005.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased \$299 thousand (3 percent) as a result of this year's operations.
- Of the \$10.4 million total net assets reported, \$2.6 million is available to be used to meet future operating and capital improvement needs.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$1.411 million, which represents 58 percent of the actual total General Fund expenditures for the fiscal year.

Overview of the financial statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are presented to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). The Township's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
 - The governmental funds statements tell how general government services like public works and public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business. The Township's lone proprietary fund accounts for its building inspections department.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2005 and 2004 is also presented.

Charter Township of Grand Rapids
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets - the difference between the Township's assets and liabilities - is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional nonfinancial factors such as changes in the Township's property tax base and the condition of the Township's roads.

The government-wide financial statements of the Township are divided into two categories:

- *Governmental activities* - These activities include functions most commonly associated with government (e.g., general government, public safety, public works, etc.). Property taxes and intergovernmental revenues generally fund these services.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of operating the building inspections department.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by grant agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like sewer and water improvements) or to show that it is properly using certain taxes and other revenues (like the street lighting and lakes management special assessments).

The Township has three kinds of funds:

- **Governmental funds.** Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship between them.

Charter Township of Grand Rapids
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- **Proprietary funds.** Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information.
- **Fiduciary funds.** These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Township's fiduciary balances are reported in a separate Statement of Fiduciary Net Assets - Fiduciary Funds. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$10.4 million, an increase of 3% from the prior year. However, \$7.7 million of this total is invested in capital assets and \$147 thousand is restricted for public safety and public works. Consequently, unrestricted net assets were \$2.6 million, 25% of the total.

Condensed financial information
Net assets (in thousands)

	<i>Governmental activities</i>	
	<i>2005</i>	<i>2004</i>
Current and other assets	\$ 4,795,439	\$ 4,411,365
Capital assets	<u>7,657,105</u>	<u>7,401,135</u>
Total assets	<u>12,452,544</u>	<u>11,812,500</u>
Liabilities, other than long-term debt	<u>2,046,310</u>	<u>1,704,958</u>
Net assets:		
Invested in capital assets	7,657,105	7,376,135
Restricted	147,170	159,091
Unrestricted	<u>2,601,959</u>	<u>2,572,316</u>
Total net assets	<u>\$ 10,406,234</u>	<u>\$ 10,107,542</u>

Charter Township of Grand Rapids
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in net assets. The Township's total revenues are \$2.8 million. Approximately 40% of the Township's revenues come from property taxes while state revenue sharing represents 34%. About 14% of total revenues come from charges for services.

Condensed financial information
Changes in net assets (in thousands)

	<u>Governmental activities</u>	
	<u>2005</u>	<u>2004</u>
Program revenues:		
Charges for services	\$ 383,085	\$ 426,691
Operating grants	15,932	390
Capital grants	-	26,898
General revenues:		
Property taxes	1,145,562	1,072,084
State shared revenue	973,299	953,704
Cable franchise fees	152,281	135,942
Interest income	101,157	85,825
Other	5,103	49,015
Special item - capital asset donations	<u>58,736</u>	<u>1,280,000</u>
Total revenues	<u>2,835,155</u>	<u>4,030,549</u>
Expenses:		
Legislative	18,771	17,386
General government	809,852	809,322
Public safety	1,292,392	1,343,837
Public works	162,039	152,318
Health and welfare	16,343	13,528
Community and economic development	75,753	71,024
Culture and recreation	<u>161,313</u>	<u>76,716</u>
Total expenses	<u>2,536,463</u>	<u>2,484,131</u>
Increase in net assets	<u>\$ 298,692</u>	<u>\$ 1,546,418</u>

Governmental activities. Governmental activities increased the Township's net assets by \$299 thousand in 2005 compared with a \$1.5 million increase in 2004. The primary reason for the reduction in the increase in net assets is the \$1.28 million capital asset donation in 2004. Revenue for charges for services decreased in 2005 due to a \$58 thousand decrease in permits. Property tax revenue increased by \$73 thousand due to the continued increase in the Township's tax base. Expenses for 2005 compared to 2004 include a \$51 thousand decrease in public safety expenses comprised of several small reductions in various fire department operating expenses. Culture and recreation expenses increased in 2005 due to our \$100 thousand contribution to acquire 25 additional acres for the Kent County-owned Knapp Valley County Park.

Charter Township of Grand Rapids
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The cost of all governmental activities this year was \$2.54 million compared to \$2.48 million in 2004. After subtracting the direct charges to those who directly benefited from the programs (\$383 thousand), and operating grants (\$16 thousand), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$2.13 million in 2005 compared to \$2.03 million in 2004.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

At December 31, 2005, the Township's governmental funds reported a combined fund balance of \$2.45 million, approximately \$61 thousand more than last year.

The fund balance of the General Fund at year end was \$1,675,874 which represents a decrease of \$3,984 in 2005.

The fund balance of the Improvement Revolving Fund at year end was \$741,318. The fund's equity increased by \$58,819 in 2005.

General Fund budgetary highlights

The Township amended the General Fund by reducing the Public Works category in the amount of \$100,000. Road and pathway projects that were delayed, each were reduced by \$50,000. The \$100,000 was allocated as a contribution to Kent County for the purchase of Park property in the Township.

Revenues were \$131 thousand more than anticipated spread over all categories. Expenditures were \$218 thousand less than the amount appropriated which resulted in using \$3,984 from the General Fund reserves instead of the \$332,375 anticipated. Public works and Public safety contributed the majority of the expenditure savings spread over a variety of functions.

Capital assets

At December 31, 2005, the Township had invested \$7.7 million in various capital assets, including its land, buildings, equipment, and vehicles. This amount represents a net increase of \$256 thousand in 2005.

This year's major capital asset additions included:

- \$293,311 for a new fire truck
- \$26,625 for a fire command vehicle
- \$39,930 contribution for shared road improvement costs
- \$58,736 for new voting equipment that was received as a donation from the State

Charter Township of Grand Rapids
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Economic condition and outlook

The Township Administration is guardedly optimistic for 2006 and 2007.

We are confident that revenues will increase slightly without the need to raise taxes or fees. Property tax receipts will continue to grow faster than inflation primarily due to new construction and remodeling. Revenue sharing should see a small increase and fees for services may decline minimally in 2006 but should rebound in 2007.

Expenses for 2006 and 2007 will require continued constraint. We have successfully controlled growth in operations by improved effectiveness and competitive sourcing of equipment and services. There will be continued attention to cost sharing options and capital projects will be prioritized and scheduled to fit within our revenue limitations.

Township staff are dedicated, hard-working people and they will continue to be provided with competitive compensation and benefits, again within the limitations of revenue growth.

The Administration appropriately funds the necessary functions of government: assessing, building inspections, elections, land use, zoning enforcement, police, fire and EMS. We will also prioritize the maintenance of roads and current Township facilities and plan for the expansion of parks and pathways.

Contacting the Township's financial management

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors, and to demonstrate the Township's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to:

Charter Township of Grand Rapids
Supervisor's Office
1836 East Beltline N.E.
Grand Rapids, MI 49525-4594

Phone: (616) 361-7391

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Grand Rapids Charter Township, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Rapids Charter Township, Michigan as of December 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Grand Rapids Charter Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Rapids Charter Township, Michigan, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and the budgetary comparison information, on pages 22 through 25, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees
Grand Rapids Charter Township, Michigan
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grand Rapids Charter Township, Michigan, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

January 27, 2006

BASIC FINANCIAL STATEMENTS

Grand Rapids Charter Township
STATEMENT OF NET ASSETS
December 31, 2005

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 2,913,468
Investments	408,841
Receivables, net	1,301,110
Prepaid expenses	<u>35,020</u>
Total current assets	<u>4,658,439</u>
Noncurrent assets:	
Receivables, net	137,000
Capital assets, net of accumulated depreciation	<u>7,657,105</u>
Total noncurrent assets	<u>7,794,105</u>
Total assets	<u>12,452,544</u>
LIABILITIES	
Current liabilities:	
Payables	123,541
Deferred revenue	<u>1,922,769</u>
Total current liabilities	<u>2,046,310</u>
NET ASSETS	
Invested in capital assets	7,657,105
Restricted for:	
Public safety	116,798
Public works	30,372
Unrestricted	<u>2,601,959</u>
Total net assets	<u>\$ 10,406,234</u>

See notes to financial statements

Grand Rapids Charter Township**STATEMENT OF ACTIVITIES**

Year ended December 31, 2005

		<u>Program revenues</u>		<u>Net (expenses)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>revenues and</u>
	<u>Expenses</u>	<u>services</u>	<u>grants and</u>	<u>changes in</u>
			<u>contributions</u>	<u>net assets</u>
Functions/Programs				
Governmental activities:				
Legislative	\$ 18,771	\$ -	\$ -	\$ (18,771)
General government	809,852	6,080	-	(803,772)
Public safety	1,292,392	257,895	-	(1,034,497)
Public works	162,039	87,899	15,932	(58,208)
Health and welfare	16,343	-	-	(16,343)
Community and economic development	75,753	25,611	-	(50,142)
Culture and recreation	<u>161,313</u>	<u>5,600</u>	<u>-</u>	<u>(155,713)</u>
 Total governmental activities	 <u>\$ 2,536,463</u>	 <u>\$ 383,085</u>	 <u>\$ 15,932</u>	 <u>(2,137,446)</u>
 General revenues:				
Property taxes				1,145,562
State shared revenue				973,299
Franchise fees				152,281
Interest income				101,157
Other				5,103
Special item - capital asset donations				<u>58,736</u>
 Total general revenues and special items				 <u>2,436,138</u>
 Change in net assets				 298,692
 Net assets - beginning				 <u>10,107,542</u>
 Net assets - ending				 \$ 10,406,234

See notes to financial statements

Grand Rapids Charter Township
BALANCE SHEET - governmental funds
December 31, 2005

	<u>General</u>	<u>Improvement Revolving</u>	<u>Public Safety</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$2,023,719	\$ 422,613	\$ 270,126	\$ 82,597	\$ 2,799,055
Investments	87,136	321,705	-	-	408,841
Receivables	867,351	149,747	366,935	42,151	1,426,184
Total assets	<u>\$2,978,206</u>	<u>\$ 894,065</u>	<u>\$ 637,061</u>	<u>\$ 124,748</u>	<u>\$ 4,634,080</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 102,826	\$ 3,000	\$ -	\$ 8,174	\$ 114,000
Deferred revenue	1,199,506	149,747	637,061	86,202	2,072,516
Total liabilities	<u>1,302,332</u>	<u>152,747</u>	<u>637,061</u>	<u>94,376</u>	<u>2,186,516</u>
Fund balances:					
Unreserved:					
Designated	265,000	-	-	-	265,000
Undesignated	1,410,874	741,318	-	-	2,152,192
Unreserved, reported in nonmajor - special revenue funds	-	-	-	30,372	30,372
Total fund balances	<u>1,675,874</u>	<u>741,318</u>	<u>-</u>	<u>30,372</u>	<u>2,447,564</u>
Total liabilities and fund balances	<u>\$2,978,206</u>	<u>\$ 894,065</u>	<u>\$ 637,061</u>	<u>\$ 124,748</u>	

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	7,657,105
Net assets of the Building Inspections Fund are included in <i>governmental activities</i> .	116,798
Prepaid expenses are not reported in the funds.	35,020
Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.	<u>149,747</u>
Net assets of <i>governmental activities</i>	<u>\$ 10,406,234</u>

See notes to financial statements

Grand Rapids Charter Township

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended December 31, 2005

	<u>General</u>	<u>Improvement Revolving</u>	<u>Public Safety</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES					
Property taxes	\$ 551,092	\$ -	\$ 594,470	\$ -	\$ 1,145,562
Licenses and permits	152,431	-	-	-	152,431
State grants	973,299	-	-	-	973,299
Charges for services	54,135	-	-	-	54,135
Interest and rentals	81,969	30,318	-	-	112,287
Other	7,390	28,501	-	87,899	123,790
Total revenues	<u>1,820,316</u>	<u>58,819</u>	<u>594,470</u>	<u>87,899</u>	<u>2,561,504</u>
EXPENDITURES					
Legislative	18,771	-	-	-	18,771
General government	761,233	-	-	-	761,233
Public safety	935,595	-	-	-	935,595
Public works	119,342	-	-	81,795	201,137
Health and welfare	16,343	-	-	-	16,343
Community and economic development	75,753	-	-	-	75,753
Culture and recreation	111,188	-	-	-	111,188
Capital outlay	355,545	-	-	-	355,545
Debt service - principal	25,000	-	-	-	25,000
Total expenditures	<u>2,418,770</u>	<u>-</u>	<u>-</u>	<u>81,795</u>	<u>2,500,565</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(598,454)</u>	<u>58,819</u>	<u>594,470</u>	<u>6,104</u>	<u>60,939</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	594,470	-	-	-	594,470
Transfers out	-	-	(594,470)	-	(594,470)
Total other sources (uses)	<u>594,470</u>	<u>-</u>	<u>(594,470)</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(3,984)</u>	<u>58,819</u>	<u>-</u>	<u>6,104</u>	<u>60,939</u>
FUND BALANCES - BEGINNING	<u>1,679,858</u>	<u>682,499</u>	<u>-</u>	<u>24,268</u>	<u>2,386,625</u>
FUND BALANCES - ENDING	<u>\$1,675,874</u>	<u>\$ 741,318</u>	<u>\$ -</u>	<u>\$ 30,372</u>	<u>\$ 2,447,564</u>

See notes to financial statements

Grand Rapids Charter Township
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)
Year ended December 31, 2005

Reconciliation of the statement of revenues, expenditures, and changes in fund
balances to the statement of activities:

Net change in fund balances - total governmental funds (page 8) \$ 60,939

Amounts reported for *governmental activities* in the statement of activities are
different because:

Capital assets:

Assets acquired	445,465
Net book value of dispositions	(3,825)
Provision for depreciation	(185,670)

Long-term debt - principal repayments 25,000

Change in other assets/liabilities:

Prepaid expenses	(14,357)
Special assessments	(26,963)

Net revenue of the Building Inspections Fund (1,897)

Change in net assets of *governmental activities* (page 6) \$ 298,692

Grand Rapids Charter Township
STATEMENT OF NET ASSETS - *proprietary fund*
December 31, 2005

	<u>Building Inspections</u>
ASSETS	
Cash	\$ 114,413
Receivables (net)	<u>11,926</u>
Total assets	<u>126,339</u>
LIABILITIES	
Payables	<u>9,541</u>
NET ASSETS	116,798
 Amounts reported for business-type activities in the government-wide statement of net assets (page 5) are different because:	
 Assets and liabilities of the Building Inspections Fund have been combined with those of <i>governmental activities</i> .	
	<u>(116,798)</u>
Net assets of business-type activities	<u>\$ -</u>

See notes to financial statements

Grand Rapids Charter Township
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS - *proprietary fund*
Year ended December 31, 2005

	<u>Building Inspections</u>
OPERATING REVENUES	
Charges for services - licenses and permits	<u>\$ 257,895</u>
OPERATING EXPENSES	
Salaries and fringe benefits	53,518
Contracted services	<u>206,274</u>
Total operating expenses	<u>259,792</u>
CHANGE IN NET ASSETS	(1,897)
NET ASSETS - BEGINNING	<u>118,695</u>
NET ASSETS - ENDING	<u>\$ 116,798</u>
CHANGE IN NET ASSETS	\$ (1,897)
Amounts reported for business-type activities in the government-wide statement of activities (page 6) are different because:	
Revenues and expenses of the Building Inspections Fund have been combined with those of the <i>governmental activities</i> .	<u>1,897</u>
Change in net assets of business-type activities	<u>\$ -</u>

See notes to financial statements

Grand Rapids Charter Township
STATEMENT OF CASH FLOWS - proprietary fund
Year ended December 31, 2005

	<u>Building Inspections</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 266,121
Payments for salaries and fringe benefits	(53,518)
Payments for contracted services	<u>(213,063)</u>
Net cash used in operating activities	(460)
CASH - BEGINNING	<u>114,873</u>
CASH - ENDING	<u><u>\$ 114,413</u></u>
 Reconciliation of change in net assets to net cash used in operating activities:	
Change in net assets	\$ (1,897)
Adjustments to reconcile operating income to net cash used in operating activities:	
Decrease in due from other governmental units	8,226
Decrease in due to other governmental units	<u>(6,789)</u>
Net cash used in operating activities	<u><u>\$ (460)</u></u>

See notes to financial statements

Grand Rapids Charter Township

STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund

December 31, 2005

ASSETS

Cash	\$ <u>725,616</u>
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LIABILITIES

Payables	\$ <u>725,616</u>
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See notes to financial statements

Grand Rapids Charter Township
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charter Township of Grand Rapids, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present the activities of the Township. There are no component units, legally separate entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Grand Rapids Charter Township
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Improvement Revolving Fund accounts for improvements financed through special assessments.

The Public Safety Fund accounts for the financial resources used for the operational costs of the Township's public safety functions. Revenues are derived from property taxes.

The Township reports a single proprietary fund, the Building Inspection Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Township reports a single fiduciary fund, its Agency Fund, which accounts for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Grand Rapids Charter Township
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) Capital assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., roads, pathways, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets retroactively.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Land improvements	20 years
Equipment	5 - 10 years
Vehicles	10 - 15 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Grand Rapids Charter Township
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity:

vi) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on February 14 (with the final collection date of February 28), at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, taxes have been deferred from recognition as revenue until the following year.

The 2004 taxable valuation of the Township totaled \$698,620,809, on which ad valorem taxes levied consisted of the following:

<u>Fund</u>	<u>Millage rate</u>	<u>Purpose</u>	<u>Taxes raised</u>
General	0.7500	Operating	\$ 523,937
Public safety	0.8495	Public safety	593,445

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. The budget document presents information by fund, function, department and line-item. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Capital outlay	\$ 334,100	\$ 355,545	\$ (21,445)

NOTE 3 - CASH AND INVESTMENTS:

The Township's deposits and investments were reported in the basic financial statements as follows:

	<u>Governmental activities</u>	<u>Fiduciary funds</u>	<u>Totals</u>
Cash	\$ 2,913,468	\$ 725,616	\$ 3,639,084
Investments	408,841	-	408,841
Totals	<u>\$ 3,322,309</u>	<u>\$ 725,616</u>	<u>\$ 4,047,925</u>

Grand Rapids Charter Township
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Deposits:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. As of December 31, 2005, \$3,152,755 of the Township's bank balances of \$3,689,330 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Township believes that it is impractical to insure all bank deposits. The Township evaluates each financial institution with which it deposits funds and assesses the risk level of each financial institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act. Not more than 50% of any mutual fund may be invested in commercial paper. The Township's investments consist of holdings in the Kent County Investment Pool and the Michigan Class Investment Pool, which are nonrisk categorized, qualifying investments, and are carried at cost, which approximates fair market value.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Inter- governmental</i>	<i>Total</i>
General	\$ 1,332	\$ 690,892	\$ -	\$ 175,127	\$ 867,351
Improvement Revolving	-	-	149,747	-	149,747
Public Safety	-	366,935	-	-	366,935
Building Inspections	-	-	-	11,926	11,926
Nonmajor governmental	-	-	42,151	-	42,151
Totals	<u>\$ 1,332</u>	<u>\$ 1,057,827</u>	<u>\$ 191,898</u>	<u>\$ 187,053</u>	<u>\$ 1,438,110</u>

Grand Rapids Charter Township
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - DEFERRED REVENUE:

Governmental funds report deferred revenues in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds may also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, several of the funds deferred recognition of revenues that were considered unearned or unavailable at December 31, 2005. The types of revenues deferred, by fund, follow:

<i>Fund</i>	<i>Unearned Taxes</i>	<i>Unavailable Assessments</i>	<i>Totals</i>
General	\$ 1,199,506	\$ -	\$ 1,199,506
Improvement Revolving	-	149,747	149,747
Public Safety	637,061	-	637,061
Nonmajor governmental	86,202	-	86,202
Totals	<u>\$ 1,922,769</u>	<u>\$ 149,747</u>	<u>\$ 2,072,516</u>

NOTE 6 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2005, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 4,974,000	\$ -	\$ -	\$ 4,974,000
Capital assets being depreciated:				
Infrastructure - shared road costs	-	39,930	-	39,930
Building and improvements	2,979,000	-	-	2,979,000
Equipment	263,196	85,599	(49,580)	299,215
Vehicles	599,431	319,936	-	919,367
Subtotal	<u>3,841,627</u>	<u>445,465</u>	<u>(49,580)</u>	<u>4,237,512</u>
Less accumulated depreciation for:				
Infrastructure - shared road costs	-	832	-	832
Buildings and improvements	865,936	98,475	-	964,411
Equipment	181,175	21,244	(45,755)	156,664
Vehicles	367,381	65,119	-	432,500
Subtotal	<u>1,414,492</u>	<u>185,670</u>	<u>(45,755)</u>	<u>1,554,407</u>
Total capital assets being depreciated, net	<u>2,427,135</u>	<u>259,795</u>	<u>(3,825)</u>	<u>2,683,105</u>
Governmental activities capital assets, net	<u>\$ 7,401,135</u>	<u>\$ 259,795</u>	<u>\$ (3,825)</u>	<u>\$ 7,657,105</u>

Grand Rapids Charter Township
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

<i>Governmental activities:</i>	
General government	\$ 49,437
Public safety	85,276
Public works	832
Culture and recreation	<u>50,125</u>
Total	<u>\$ 185,670</u>

NOTE 7 - PAYABLES:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 42,538	\$ 28,983	\$ 31,305	\$ 102,826
Improvement Revolving	3,000	-	-	3,000
Building Inspections	-	-	9,541	9,541
Nonmajor governmental	<u>8,174</u>	<u>-</u>	<u>-</u>	<u>8,174</u>
Total	<u>\$ 53,712</u>	<u>\$ 28,983</u>	<u>\$ 40,846</u>	<u>\$ 123,541</u>

NOTE 8 - INTERFUND TRANSFER:

The interfund transfer for the year ended December 31, 2005, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
General	<u>\$ 594,470</u>	Public Safety	<u>\$ 594,470</u>

The transfer to the General Fund represents restricted revenues collected in the Public Safety Fund to pay for operational costs of the public safety functions accounted for in the General Fund.

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Grand Rapids Charter Township
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. The plan covers all full-time employees (over 20 hours per week) and Township trustees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes a percentage of each qualified employee's base salary to the plan. The Township contributes 12% for non-union employees and 10.5% for union employees. The Township's contributions are fully vested immediately. The Township made the required contributions of \$67,708 for the year ended December 31, 2005.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 11 - RESTRICTED NET ASSETS:

Governmental activities net assets as of December 31, 2005, are restricted for the following purposes:

Public safety - construction code inspections	<u>\$ 116,798</u>
Public works:	
Lakes management	13,185
Street lighting and maintenance	<u>17,187</u>
Total public works	<u>30,372</u>
TOTAL	<u>\$ 147,170</u>

REQUIRED SUPPLEMENTARY INFORMATION

Grand Rapids Charter Township
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 507,800	\$ 507,800	\$ 551,092	\$ 43,292
Licenses and permits	147,150	147,150	152,431	5,281
State grants	940,000	940,000	973,299	33,299
Charges for services	57,100	57,100	54,135	(2,965)
Interest and rentals	37,000	37,000	81,969	44,969
Other	100	100	7,390	7,290
Total revenues	<u>1,689,150</u>	<u>1,689,150</u>	<u>1,820,316</u>	<u>131,166</u>
EXPENDITURES				
Legislative	<u>17,200</u>	<u>19,200</u>	<u>18,771</u>	<u>429</u>
General government:				
Supervisor	55,046	55,046	47,987	7,059
Elections	-	-	11,866	(11,866)
Assessor	91,963	91,963	59,999	31,964
Clerk	90,634	91,634	92,331	(697)
Board of review	2,350	2,350	1,130	1,220
Treasurer	70,469	85,469	76,903	8,566
Hall and grounds	91,510	91,510	91,602	(92)
Cemetery	1,000	1,000	750	250
General administration	<u>370,843</u>	<u>355,843</u>	<u>378,665</u>	<u>(22,822)</u>
Total general government	<u>773,815</u>	<u>774,815</u>	<u>761,233</u>	<u>13,582</u>
Public safety:				
Police protection	402,000	402,000	395,240	6,760
Fire Department	<u>667,245</u>	<u>667,245</u>	<u>540,355</u>	<u>126,890</u>
Total public safety	<u>1,069,245</u>	<u>1,069,245</u>	<u>935,595</u>	<u>133,650</u>
Public works:				
Road improvements and maintenance	100,000	50,000	40,771	9,229
Pathways	150,000	98,000	65,621	32,379
Street lights	2,500	2,500	2,241	259
Other	<u>29,000</u>	<u>29,000</u>	<u>10,709</u>	<u>18,291</u>
Total public works	<u>281,500</u>	<u>179,500</u>	<u>119,342</u>	<u>60,158</u>

Grand Rapids Charter Township**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Health and welfare - ambulance	<u>\$ 20,100</u>	<u>\$ 20,100</u>	<u>\$ 16,343</u>	<u>\$ 3,757</u>
Community and economic development - planning and zoning	<u>92,860</u>	<u>92,845</u>	<u>75,753</u>	<u>17,092</u>
Culture and recreation - parks and recreation	<u>21,720</u>	<u>121,720</u>	<u>111,188</u>	<u>10,532</u>
Capital outlay	<u>334,100</u>	<u>334,100</u>	<u>355,545</u>	<u>(21,445)</u>
Debt service - principal	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total expenditures	<u>2,635,540</u>	<u>2,636,525</u>	<u>2,418,770</u>	<u>217,755</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(946,390)</u>	<u>(947,375)</u>	<u>(598,454)</u>	<u>348,921</u>
OTHER FINANCING SOURCES (USES)				
Operating transfer in - Public Safety Fund	<u>565,000</u>	<u>565,000</u>	<u>594,470</u>	<u>29,470</u>
NET CHANGES IN FUND BALANCES	<u>(381,390)</u>	<u>(382,375)</u>	<u>(3,984)</u>	<u>378,391</u>
FUND BALANCES - BEGINNING	<u>1,679,858</u>	<u>1,679,858</u>	<u>1,679,858</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,298,468</u>	<u>\$ 1,297,483</u>	<u>\$ 1,675,874</u>	<u>\$ 378,391</u>

Grand Rapids Charter Township**BUDGETARY COMPARISON SCHEDULE - Improvement Revolving Fund**

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ 23,000	\$ 23,000	\$ 30,318	\$ 7,318
Other - special assessments	<u>13,440</u>	<u>13,440</u>	<u>28,501</u>	<u>15,061</u>
Total revenues	36,440	36,440	58,819	22,379
FUND BALANCES - BEGINNING	<u>682,499</u>	<u>682,499</u>	<u>682,499</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 718,939</u>	<u>\$ 718,939</u>	<u>\$ 741,318</u>	<u>\$ 22,379</u>

Grand Rapids Charter Township**BUDGETARY COMPARISON SCHEDULE - Public Safety Fund**

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 565,000	\$ 565,000	\$ 594,470	\$ 29,470
OTHER FINANCING USES				
Operating transfer out - General Fund	<u>(565,000)</u>	<u>(565,000)</u>	<u>(594,470)</u>	<u>(29,470)</u>
NET CHANGES IN FUND BALANCES	-	-	-	-
FUND BALANCES - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

Grand Rapids Charter Township
COMBINING BALANCE SHEET - nonmajor governmental funds
December 31, 2005

	Special revenue funds		
	<u>Lakes Management</u>	<u>Lighting and Maintenance</u>	<u>Totals</u>
ASSETS			
Cash	\$ 25,976	\$ 56,621	\$ 82,597
Receivables	8,564	33,587	42,151
Total assets	<u>\$ 34,540</u>	<u>\$ 90,208</u>	<u>\$ 124,748</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 2,500	\$ 5,674	8,174
Deferred revenue	18,855	67,347	86,202
Total liabilities	21,355	73,021	94,376
Fund balances - unreserved, undesignated	13,185	17,187	30,372
Total liabilities and fund balances	<u>\$ 34,540</u>	<u>\$ 90,208</u>	<u>\$ 124,748</u>

Grand Rapids Charter Township

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2005

	Special revenue funds		
	<u>Lakes Management</u>	<u>Lighting and Maintenance</u>	<u>Totals</u>
REVENUES			
Other - special assessments	\$ 17,836	\$ 70,063	\$ 87,899
EXPENDITURES			
Public works	<u>15,905</u>	<u>65,890</u>	<u>81,795</u>
NET CHANGES IN FUND BALANCES	1,931	4,173	6,104
FUND BALANCE - BEGINNING	<u>11,254</u>	<u>13,014</u>	<u>24,268</u>
FUND BALANCE - ENDING	<u><u>\$ 13,185</u></u>	<u><u>\$ 17,187</u></u>	<u><u>\$ 30,372</u></u>

SiegfriedCrandallPC

Certified Public Accountants & Advisors

246 E. Kilgore Road
Kalamazoo, MI 49002-5599
www.siegfriedcrandall.com

Telephone 269-381-4970
800-876-0979
Fax 269-349-1344

January 27, 2006

Board of Trustees
Grand Rapids Charter Township, Michigan

In planning and performing our audit of the financial statements of Grand Rapids Charter Township, Michigan, for the year ended December 31, 2005, we considered the Township's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated January 27, 2006, on the financial statements of Grand Rapids Charter Township, Michigan.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Township management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

Siegfried Crandall P.C.

COMMENTS AND RECOMMENDATIONS

Approval of disbursements:

Our review of the Township's cash disbursements indicated that certain checks lacked appropriate documentation of approval and could be susceptible to management override.

We recommend the approval of all disbursements by the appropriate employee, typically a department head, before checks are submitted to the entire Board for approval. Approval could be indicated by initialing and dating the supporting documentation for each check.

Review and approval of Tax Fund disbursements:

Most of the payments out of the Township's Tax Fund are now electronically transferred to the other taxing authorities. We commend the Township for its efficient use of technology; however, the internal controls over these Tax Fund transactions should be modified for this change in procedure. We noted that the electronic payments lacked appropriate documentation of approval and could be susceptible to misappropriation.

We recommend that the Treasurer review and approve all Tax Fund disbursements, both checks and electronic transfers, for adequate support before disbursements are issued.

Lawful expenditures:

The Township incurred certain expenditures that may not have been in compliance with state statutes governing lawful expenditures.

We recommend that the Township consult with legal counsel prior to incurring expenditures that are not specifically allowed by state statutes. We have enclosed a document entitled "Determining Lawful Expenditures" that we obtained from the website of the Department of Treasury. Please note the restrictive nature of the authority granted to local units. Legal expenditures consist of those specifically granted by the Michigan Constitution and applicable statutes. In other words, a transaction that is not specifically authorized cannot be legally executed.

Policies and procedures:

Many of the Township's policies and procedures, especially those related to the accounting function, have not been formally documented.

We recommend that the Township develop a written accounting policies and procedures manual. Committing the Township's policies and procedures to writing would provide several benefits, including:

- clarification of responsibilities and segregation of duties
- communication of appropriate systems of internal controls
- improve continuity at the time of personnel changes